

Message Text

SECRET

PAGE 01 AMMAN 00196 081111Z

92

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 CCO-00 /031 W

----- 034100

O 081020Z MAR 74

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC IMMEDIATE 0819

S E C R E T AMMAN 196

EXDIS

E.O. 11652: GDS

TAGS: EAID, JO, US

SUBJECT: PRIME MINISTER'S REQUEST FOR INCREASED BUDGET SUPPORT.

REF: A. AMMAN 1087 B. AMMAN 5536, 10/16/73

C. AMMANN 0847

SUMMARY: PRIME MINISTER RIFA'I DOES NOT HAVE PERSUASIVE ECONOMIC CASE FOR RESUMPTION \$10 MILLION DROPPED FROM FY 1974 U.S. SUPPORTING ASSISTANCE LEVEL WE ORIGINALLY OFFERED TO JORDAN, HOWEVER, WE BELIEVE POLITICAL FACTORS ARE MORE IMPORTANT. WE HAVE IN MIND PARTICULARLY JORDANIAN CONFIDENCE IN CONTINUED U.S. SUPPORT AND DESIRE FOR FINANCIAL INSURANCE AS JORDAN GOES INTO FLUID AND DIFFICULT MIDEAST NEGOTIATIONS. WHILE RECOGNIZING WORLDWIDE PRESSURES ON SUPPORTING ASSISTANCE, WE THINK PROVIDING ADDITIONAL \$5-10 MILLION DURING KING'S VISIT WOULD HAVE SIGNIFICANT POSITIVE EFFECT ON MAINTAINING U.S. INFLUENCE ON JORDAN DURING COMING CRITICAL PERIOD. END SUMMARY.

1. WE DO NOT BELIEVE PM RIFA'I HAS A PERSUASIVE ECONOMIC ARGUMENT BASED ON CURRENT GOJ FINANCIAL PICTURE. OBVIOUSLY, RESTORATION OF \$39 MILLION ANNUAL KUWAITI SUBSIDY HAS HAD VERY BENEFICIAL EFFECT, ALTHOUGH IT HAS LARGELY BEEN ABSORBED BY RECENT \$25 MILLION CIVIL SERVICE AND MILITARY PAY RAISE AND ADDITIONAL COMMODITIES SUBSIDY INCREASES THAT MAY BE REQUIRED FOR INTERNAL POLITICAL

SECRET

SECRET

PAGE 02 AMMAN 00196 081111Z

REASONS.

2. ON PM'S CONCERN OVER SIZE OF CY 1973 DEFICIT, IT IS IMPORTANT TO KEEP IN MIND THAT DEFICIT WAS ACTUALLY SMALLER AT END OF 1973 (9.2 MILLION JD'S REF C) THAN HAD BEEN PROJECTED IN ORIGINAL BUDGET AND WAS LESS THAN HALF THE MIND-BOGGLING LEVEL ESTIMATED LAST SEPTEMBER (21.5 MILLION JD'S, REF B). AS WE SEE IT, AND WITHIN CERTAIN LIMITS OF COURSE, SIZE OF DEFICIT AND CASH FLOW WOULD BE SERIOUS PROBLEMS ONLY IF GOJ WERE FORCED TO LIVE WITHIN STATUTORY LIMITATIONS ON CENTRAL BANK ADVANCES AND ISSUANCE OF TREASURY BILLS. GOJ HAS SHOWN WILLINGNESS TO GO WELL BEYOND THESE LIMITS WHEN NECESSARY TO MEET ITS FISCAL REQUIREMENTS AND HAS ALSO TRADITIONALLY JUGGLED ACCOUNTS IN ORDER TO MAINTAIN ADEQUATE FLOW OF RESOURCES INTERNALLY TO MEET GOVERNMENTAL REQUIREMENTS. (UNANTICIPATED WHEAT PURCHASE REQUIREMENT MENTIONED BY PM IN REF A WILL ALSO SOMEWHAT INCREASE SIZE OF BUDGET DEFICIT AND NEED FOR FURTHER JUGGLING.)

3. IF FOREIGN EXCHANGE RESERVES WERE LIMITED THIS TOO WOULD POSE PROBLEMS, BUT RESERVES ARE VERY HEALTHY (OVER \$300 MILLION). IN SUM, ALTHOUGH IT HAS FUNDAMENTAL LONG-TERM SHORTAGE OF FISCAL RESOURCES, GOJ CAN DEAL FINANCIALLY WITH SHORT TERM PROBLEMS CITED BY PM WITHOUT SUBSTANTIAL INCREASE IN U.S. ASSISTANCE IN NEXT SEVERAL MONTHS. REAL ISSUE IS, HOWEVER ESSENTIALLY POLITICAL IN NATURE.

4. FIRST, IN BILATERAL TERMS, THIS IS FIRST YEAR IN RECENT PAST THAT USG WOULD HAVE FAILED TO DELIVER ON SUPPORTING ASSISTANCE PLANNING LEVEL ORIGINALLY DISCUSSED WITH GOJ (FROM ORIGINAL FY 1974 \$65 MILLION TO CURRENT \$55 MILLION LEVEL). PM HAS BEEN BUDGETING ON THIS BASIS SINCE HE USED MOST OF RESUMED KUWAITI SUBSIDY TO TAKE CARE OF LONG-AWAITED AND POLITICALLY DESIRABLE CIVILIAN AND ARMY PAY INCREASE (FIRST SINCE 1970). TO THAT EXTENT GOJ CAN ARGUE THAT KUWAITI SUBSIDY IS INSUFFICIENT JUSTIFICATION FOR REDUCTION IN U.S. AID

5. IN JORDANIAN POLITICAL TERMS, AS ZARQA MUTINY SHOWED, PAY ISSUE IS IN FOREFRONT OF POLITICAL AND INTERNAL SECURITY ISSUES. GOJ CAN ARGUE THAT PAY INCREASES WERE REQUIRED POLITICALLY TO MAINTAIN DOMESTIC TRANQUILITY IN PERIOD OF WORLDWIDE PRICE RISES AND WIDESPREAD JORDANIAN GRUMBLING ON ECONOMIC ISSUE. FURTHERMORE,
SECRET

SECRET

PAGE 03 AMMAN 00196 081111Z

GIVING JORDAN A FIGURE CLOSER TO THE ORIGINAL \$65 MILLION PROJECTED WOULD PROVIDE EXTRA FINANCIAL INSURANCE FOR FORTHCOMING CRITICAL PERIOD IN MIDEAST NEGOTIATIONS. FUTURE IS UNCERTAIN AND VAGARIES OF INTER-ARAB POLITICS NOT ONLY COULD CONCEIVABLY BRING CANCELLATION OF KUWAITI SUBSIDIES (PARTICULARLY ON PALESTINIAN ISSUE) BUT ALSO

INCREAS EGOJ FINANCIAL REQUIREMENTS TO MAINTAIN QUIESCENT DOMESTIC SITUATION.

6. TO CITE SOME EXAMPLES, THERE IS A POTENTIAL PROBLEM WITH NON-UNRWA-SUBSIDIZED GOJ SUPPORT FOR REFUGEES. GOJ COSTS FOR 250,000 PALESTINIAN REFUGEES DISPLACED IN 1967 WAS HAVE RISEN FROM 1 1/2 MILLION JD'S IN 1967 TO 6 MILLION JD'S IN 1973 AND SHOW NO SIGN OF ABATING. MEANWHILE ANY JORDANIAN POLITICAL INITIATIVES ON WEST BANK WILL UNDOUBTEDLY COST MONEY, AS EVIDENCED BY ESTIMATED ANNUAL 1.5 MILLION JD COST OF RESUMING SALARY PAYMENTS FOR WEST BANK OFFICIALS. (TO SOME EXTENT GOJ WILL BE COMPETING FINANCIALLY WITH A HEAVILY SUBSIDIZED PLO IN WEST BANK.) THEREFORE, IN CONTEXT FINANCING POSSIBLE UNFORSEEN GOJ CHARGES IN COMING MONTHS RELATED TO BOTH INTERNAL STABILITY AND EXTERNAL EFFORTS IN MIDEAST CONTEXT, WE BELIEVE EFFORT TO FIND ADDITIONAL FUNDS IS JUSTIFIED.

7. IN FINAL ANALYSIS, CIRCUMSTANCES WHICH WILL UNFOLD DURING KING HUSSEIN'S UPCOMING VISIT WILL ALSO DETERMINE OUR DECISION. AS USUAL, KING COMES TO WASHINGTON WITH HIGH HOPES THAT U.S. PLANS TO STRENGTHEN RELATIONSHIP, WHICH RIGHTLY OR WRONGLY HE VIEWS PARTLY AS FUNCTION OF DOLLAR LEVELS. UNDOUBTEDLY ADDITIONAL SUBSIDY CAN BE PARLAYED BY U.S. HOWEVER OBLIQUELY, INTO ADDITIONAL INFLUENCE ON JORDAN IN PURSUIT OUR OBJECTIVES IN EVOLVING MIDEAST NEGOTIATIONS.

8. ON BALANCE WE BELIEVE ABOVE POLITICAL REASONS (ALTHOUGH NOT SIGNIFICANTLY SUPPORTED ECONOMICALLY) ARGUE FOR TRYING TO SQUEEZE ADDITIONAL \$5 MILLION OR \$10 MILLION IN SA FROM FY 1974. WORLDWIDE SA TURNIP, PARTICULARLY IF, AS WE EXPECT THEY WILL, JORDANIANS PERSIST IN PURSUING THEIR REQUEST IN WASHINGTON. PICKERING

SECRET

NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAR 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974AMMAN00196
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: n/a
Film Number: n/a
From: AMMAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740379/aaaagwvf.tel
Line Count: 151
Locator: TEXT ON-LINE
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 74 AMMAN 1087; 74 AMMAN 5536; 74 AMMAN 847
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 AUG 2002 by cunninfx>; APPROVED <07 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 971020
Subject: PRIME MINISTER'S REQUEST FOR INCREASED BUDGET SUPPORT.
TAGS: EAID, JO, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005